

INDIA TRADE REPORT

West region drives India's export growth



India's overall container EXIM trade grew 6% in Q4 2018

The containerised import-export trade in India grew steadily in the last quarter of 2018, due to the sustained demand in the manufacturing sector and a significant rise in demand of the reefer cargo from the consumer industries. Imports grew 9% in the same quarter recording an overall stable growth of 6% in import-export trade. Trade tension between the world's two largest consumer economies – the United States and China - and retaliatory sanctions notwithstanding, India benefited from China's decision to reduce import tariffs for several product categories from the country as it tried to minimise the impact of its decision to increase barriers to US imports into China.

Export growth from India was led by refrigerated cargo and agro-commodities, especially vegetables, seafood, fruits, nuts, cereals and rice. Dry cargo exports were flat this quarter, barring vehicles, which saw double digit growth in volumes. China inked a protocol with India in Q4 to import fish meal and fish oil from the country, making it one of the key export markets for refrigerated cargo. It also became one of the highest contributors to the country's export basket in Q4 with a 71% Y-o-Y increase, a trend that is expected to continue given the recent agreement that enabled ease of access for exports of various farm products, further improving the trade relations between the two nations.

Import growth was led by dry cargo. Metals followed by paper and appliances and kitchenware drove the volume growth. Imported refrigerated cargo volumes declined, except for fruits and nuts that saw strong double-digit growth driven by local demand.

“We witnessed a stable trade environment in the last quarter of 2018, due to base effects, weakening demand of goods in China, overall contraction in manufacturing around the world and the global trade tensions between major economies. But the stable growth in trade indicates that the economy has been able to sail through some of these challenges, including the impact of regulatory reforms such as demonetisation and implementation of GST.”

“We are witnessing an array of developments in the industry with regard to digitisation, consolidation and infrastructure upgrades which will support in propelling India as one of the top trading destinations in the world.”

Steve Felder

Managing Director for Maersk South Asia



West India outperforms other three regions in Q4 trade

West region saw the highest growth of imports of dry commodities with strong growth in iron and steel scrap and electrical motors, while exports were largely driven by vehicles, supplementing its automobile manufacturing industry in and around the region. On the contrary, North region saw the highest growth of exports of dry commodities with plastic and rubber being the highest exported commodity. Iron and steel drove the imports in the north region, given the iron and steel processing units in the territory.

Considering the continuing trade opportunity with China, with the recent developments that opened doors for the export of fish, and fish oil refrigerated cargo has witnessed an upward trend. The category will continue to see growth in the following quarters, as a consequence of the Agriculture Export Policy 2018 introduced by the Government, which is aimed at promoting organic and home-grown products. Vegetables, fruits and nuts became the main commodities exported to the UAE market. While chemicals saw a strong 6% growth in exports from the North India region. The highest commodity to see the unprecedented growth is seafood, with fish being the highest exported commodity to China followed by a double digit growth in exports to USA.

Dry cargo like plastic, rubber, metal, and paper were among the most imported items in India in Q4. Because of government's focus on developing the manufacturing sector in the country, multiple tech and auto companies are encouraged to set up or expand their manufacturing units. A Manufacturing Competitiveness study, undertaken by a global firm** outlines high growth verticals in the manufacturing sector to be electronics, industrial manufacturing, transport and logistics, chemicals, and real estate. Russia, Germany and United Kingdom have been the key import countries for India in Q4 2018.

All percentage mentioned are Y-o-Y Q4 2018 Vs Q4 2017

*** Manufacturing Competitiveness Study 2018 by Deloitte*

“Unlike professional and large scale farming observed in western countries, a majority of India's agricultural produce comes from small, rural producers based in the hinterlands. One of the most crucial challenges faced by the country's agriculture sector is food wastage, costing the industry billions of dollars every year. An efficient 'farm-to-fork' cold chain network managed by skilled workforce with refrigerated containers, temperature-controlled warehouses along the service trail, will help curtail this loss.”



Ajit Venkataraman

Managing Director, APM Terminals Inland Services
South Asia

Chemicals, pharmaceuticals and paper play a key role in commodity trade

Given industry's recent recommendation to continue anti-dumping duty on a chemical imported from the European Union and USA, Q4 saw a ripple effect on the import of chemicals from countries like China and Egypt. Furthermore, low costs of production and increasing expenditure on R&D led to competitive advantage for India as it witnessed a 74% rise in its pharmaceutical exports to the USA.

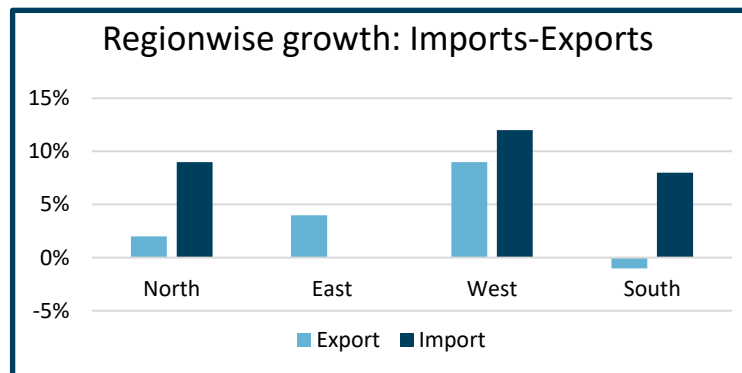
Government is consciously working towards promoting India as a manufacturing and export hub for automobiles, and the introduction of more stringent Bharat Stage VI (BS-VI) emission norms from 2020 and new safety norms from 2019 was a step in that direction. These norms will bring the vehicles produced in India at par with those in the developed markets, enabling India to tap into the automobile export share of the global trade and extend its reach across markets. Vehicles were largely exported from the South and the West regions of India to Mediterranean countries like Egypt and Turkey in Q4.

Metal was among the dry commodities that saw the highest imports backed by iron and steel scrap, with a rise of 28% Y-O-Y. Iron and steel scrap were mostly imported from countries like UK, Belgium and The Netherlands to the North and West of India.

Q4 saw a rise in export of marine products, vegetables and fruits and nuts to countries like China, UAE, USA, The Netherlands and smaller nations like Algeria. Meanwhile, India also imported refrigerated products like fruits and nuts from countries like Egypt

Paper continues to be a strong commodity from the import standpoint; Northern Europe becomes a strong trade partner

Paper saw a rise in imports from North European nations like Germany, Russia, Belgium, and Netherlands, with a 4 digit rise in paper imports from Belgium and The Netherlands, making them the country's newest trade commodity partners for paper. We also saw a rise in paper imports from United Kingdom. This trend has continued from last quarter, an after effect of China's restrictions on waste paper import.



Leveraging the Pharma Opportunity

74%

Increase in export of Pharmaceuticals to USA

Y-O-Y

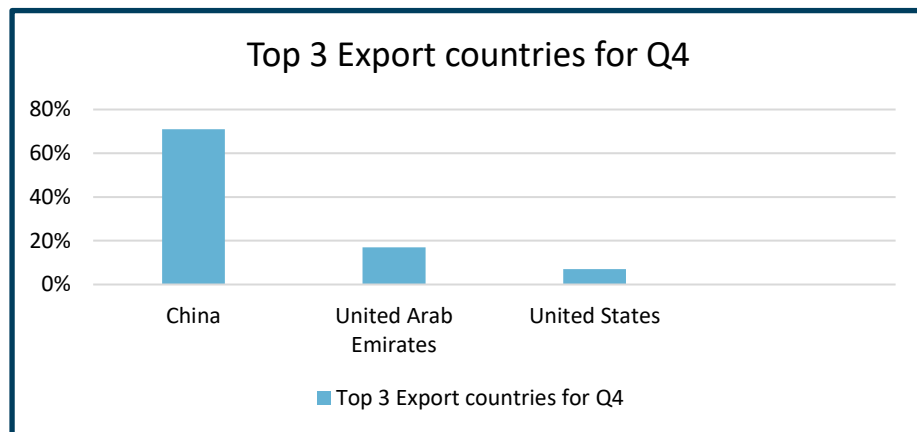
North India drives growth for import of chemicals

28%

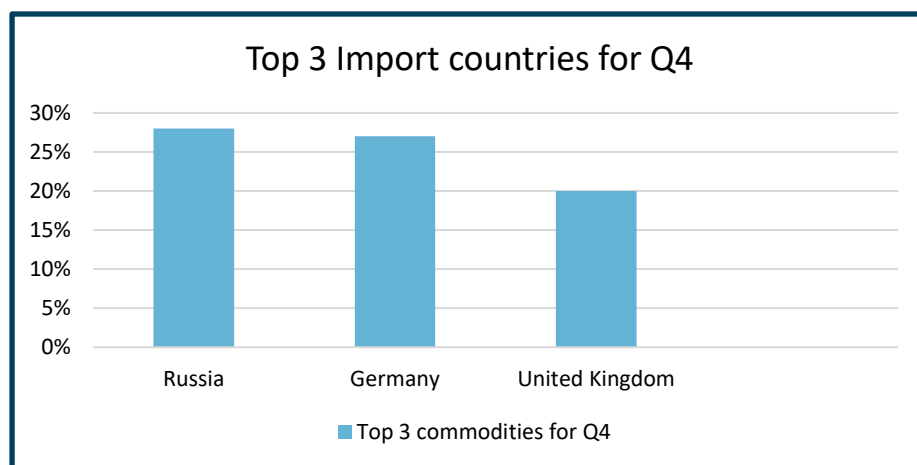
Increase in Chemical imports from China in North India

Y-O-Y

Trade Partners Q4 2018



- Fish, plastic and rubber were among the most exported commodities to China.
- Appliances and kitchenware dominated the exports to United Arab Emirates.
- Pharmaceuticals followed by plastic and rubber and foodstuff drove exports to USA



- Paper, plastic and rubber were among the most imported commodities from Russia
- Imports from Germany were largely driven by paper, wood and vehicles
- Metal and paper were the most imported commodities from the United Kingdom

Way Forward 2019-2020



“Post cabotage relaxation, the Indian government is also keen in promoting major ports on the east and west coast to help the trade demand in attracting more trans-shipment cargo at Indian ports. We also feel that the industry is well beyond the teething issues related to GST implementation,

which now will help boost the manufacturing sector in the country.”

“The government recently also inaugurated an upgraded portal for the maritime sector, which will further enhance ease of doing business. The recent inauguration of intermodal transport along the Ganga Inland Waterway is yet another example of Government’s endeavour to facilitate cargo movement from the hinterland to and from Bangladesh and the rest of the world through the Bay of Bengal. With all these major policy reforms, and trade focused infrastructure developments like Dedicated Freight Corridor (DFC) and Delhi-Mumbai Industrial Corridor (DMIC), India is on the right track to enhance global trade as the economy is set for higher growth in 2019-20”

Steve Felder

Managing Director for Maersk South Asia



About A.P. Moller Maersk

A.P. Moller - Maersk is an integrated container logistics company working to connect and simplify its customers' supply chains. As the global leader in shipping services, the company operates in 130 countries and employs roughly 76,000 people.

With simple end-to-end offering of products and digital services, seamless customer engagement and a superior end-to-end delivery network, Maersk enables its customers to trade and grow by transporting goods anywhere - all over the world.

Get more information at <https://www.maersk.com/>

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